

Town of Milton
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2012 FISCAL YEAR ANNUAL REPORT

In accordance with Section 18 of the Town of Milton Charter, the following report is presented for the benefit of the Mayor and Council, and citizens. "Preparing an annual report of the previous year's activities" is listed among the eighteen Town Manager responsibilities under section (i).

The financial highlights are followed by significant events in operations. Performance relative to prior years and program goals is discussed, briefly.

General Fund Financial

In the 2012 fiscal year, the Town of Milton reversed a multi-year deficit spending trend. This was accomplished through a tax increase, certain one-time receipts, staff reductions in two departments and other cost-savings measures.

Description	2009-10 FY	2010-11 FY	2011-12 FY
General Fund Revenue	\$1,427,367	\$1,293,171	\$1,716,541
General Fund Expenses	\$1,874,982	\$1,632,764	\$1,535,545
Net change to assets	-\$447,615	-\$339,593	+\$180,996

The positive net change in the 2012 fiscal year, however, was influenced by selected "windfall" events that will not likely be repeated. The approximate value of these revenue events is as follows:

Description	Revenue Value	Adjusted Net Change
Dogfish Head Building Permits	\$75,000	
Wagmons Property transfer	\$30,700	
Lien Certificates for xfer above	\$4,000	
Past due professional fees	\$15,500	
Sale of vehicle	\$5,800	
Sale of stock	\$6,000	
Total	\$137,000	\$43,996 (approximate value)

Revenue for the October 1, 2011 through September 30, 2012 fiscal year was enhanced by a 20% increase in the property tax rate. Construction of new homes continued at a rate of twenty-five homes per year – which adds to both realty transfer tax revenue and the property tax base.

The new fiscal year began with the previously vacant position of Town Manager being filled. A class of Police Officer recruits had recently graduated and soon completed their field training requirements. This increased the Police Department staffing to a level equivalent to that in the 2010 fiscal year. The Administrative Department provided services with a fifty percent staff reduction, relative to the 2010 fiscal year level. The Public Works Department provided services with a twenty percent staff reduction, relative to the 2010 fiscal year level. The Code Department had a modest increase.

Town of Milton Annual Report, continued

Municipal government is a service business. As such, payroll is the greatest contributor to expenditures. In the 2012 fiscal year, a portion of administrative expenses was allocated to the Water Department. This allocation is a “best practice” as promoted by the Environmental Protection Agency for a “sustainable utility”. For purposes of a multi-year payroll comparison, the allocation was reversed (see below).

Department	2009-10 FY	2010-11 FY	2011-12 FY	2010-12 Trend
Administration	\$248,033	\$112,037	\$132,767	-\$115,266
Police	\$490,587	\$537,109	\$516,998	+\$26,411
Public Works	\$193,382	\$161,974	\$146,260	-\$47,122
Building & Code	\$64,932	\$61,473	\$73,886	+\$8,954

All earnings that would be reported on an employee’s W-2 are included in the table. Public Works earnings are the sum of Streets, Parks and Water Departments – with the administrative allocation removed. Council salaries are not included in the Administrative Department total.

With respect to the estimated \$44,000 net difference in revenue versus expenditures noted on the first page, fiscal discipline should be exercised in the coming year. Some expenditures are more responsive to control measures than others. The following are budget categories that have been consistently exceeded and should be responsive to control measures:

Department/Item	2009-10 Budget/Expense	2010-11 Budget/Expense	2011-12 Budget/Expense	2010-12 Trend
Administration				
Legal Fees	\$25,000/\$43,660 \$18,660 over	\$23,000/\$105,477 \$82,477 over	\$23,000/\$35,017 \$12,017 over	Average \$37,718 – getting smaller
Police Department				
All payroll exp. (no tax or benefit)	\$485,009/\$490,587 \$5,587 over	\$511,500/\$523,889 \$12,389 over*	\$479,260/\$506,473 \$27,213 over*	Ave. \$15,063 – getting larger
Gasoline	\$20,000/\$24,460 \$4,460 over	\$22,500/\$32,548 \$10,048 over	\$30,000/\$47,346 \$17,346 over	Ave. \$10,618 – getting larger

** Highway Safety grant revenue and expenditures (for duty hours) are not budgeted. Expenditures for all types of pay was reduced by the amount of Highway Safety grants received during that fiscal year.*

If these three line items were constrained by the budget, the operating expenses of the Town of Milton would have been \$56,576 less in the last fiscal year. The practice of having legal counsel attend every meeting, for the duration of the meeting, could be modified – with the effect of reducing expenses. A documented justification for each instance of overtime scheduling would shed some light on the “drivers” of this expense and lead to better management of all departmental overtime expenses. Similarly, a study of patrol standards and idling practices could lead to reduced fuel consumption.

The support of Town Council is necessary for such control measures to have effect. The current practice excludes the Town Manager from the responsibility of managing 57% of the General Fund expenditures. As such, the ability to develop and implement policies that have the authority of consequences is quite limited.

With a balance of revenue enhancement and expenditure control, the Town of Milton will have the capacity to continue to serve the public and remain solvent, for years to come.

Town of Milton Annual Report, continued

Operations

Insurance

The new fiscal year came with the likelihood of a 19% increase in health insurance premiums. This would have diminished employee take-home pay by an average of \$800 per year. Changing vendors and making modifications to the plan made the net pay difference negligible (\$4-5 per pay) and saved the Town of Milton approximately \$19,000. The change took effect in the second month of the year.

A few months prior to the start of the new fiscal year, the Town of Milton joined a Workers Compensation insurance purchasing group of Delaware towns and cities, called DFIT. The carrier for the group, AmeriHealth, provided valued-added services related to safe work practices. Regular meetings were held and model policies were developed. The Town of Milton has taken advantage of this service through meeting participation and is currently adopting model practices and policies. There were two Workers Compensation claims in the 2012 fiscal year. Neither claim may be attributed to unsafe work conditions or practices.

Expenses for Workers Compensation, Property & Casualty and Employment Practices liability are allocated to the departments. The Administrative Department exceeded its budget for this line item by \$15,307 in 2012. This is primarily attributed to our status as a self-insured entity for Unemployment Compensation. Deductibles for Employment Practices claims are also included. All claims are not yet settled. A review of the Employee Handbook by a competent third party has been contracted. The purpose is to diminish the risk of incurring such claims in the future.

Insurance expenses impact the bottom line. It is the intent of management to take an employee-centric approach to this, though. For example, a plan to offer pre-tax dollars for flexible spending on medical and day care expenses was advanced on October 2011. A survey was conducted in July and it was discussed at length at the November 1, 2012 staff meeting. This employee benefit has not yet been embraced by a majority of the staff and officers. It is understood that the value of benefits and the conditions of the working environment will affect turnover, as much as pay.

Staffing

During the 2012 fiscal year, the Town of Milton had a Town Manager. There was a resignation and replacement of both a Code Enforcement Officer and an Accounting Clerk. Interest from applicants was quite high. There were more than fifty applicants for the Code Enforcement Officer position and more than eighty for the accounting clerk position. Staff levels in all departments did not change.

Water System Improvements

The 2008 Water Facilities Improvement Plan was the basis for a loan application to the State of Delaware Office of Drinking Water. In the first month of the fiscal year, management was informed that the application may be approved if it was likely to “close” by March 2012. This put into motion a number of meetings and notices that would conclude with a referendum on the question of borrowing funds for the improvements.

Coincident with the referendum-related activity, a difference between the volume of water pumped and that which is metered at the point of use was revealed.

The referendum was defeated. Follow-up surveys revealed that the un-accounted water use was a primary motivator for those that voted against the measure. The Water Committee began to meet regularly. Much activity related to the effort to better account for water use was undertaken – and it was reported to the Council and public at each monthly Council meeting.

Town of Milton Annual Report, continued

Operations

Water System Improvements, continued

Approximately six miles of water mains were checked for leaks. “Events” such as a known leak or hydrant flushing are being reported along with the estimated volume of unmetered water lost in the event. Conservation measures, such as the use of a rain barrel, have been promoted. And more than \$80,000 was spent on meter upgrades and installments (for locations without a meter). The number of un-metered customers was reduced to about 2% of the customer base.

A “water emergency” and requisite conservation measures were declared on two occasions during the peak use period. This condition was further complicated by a leak in the primary storage tank. The leak was repaired. These episodes underscored the need for additional storage, though.

The 2008 Water Facilities Master Plan was reviewed by a different engineering firm. Modifications to the existing plan were recommended by the Water Committee and adopted by Council. The cost of the review was underwritten by the Office of Drinking Water. As a condition of this grant, new loan pre-applications were submitted by the Town of Milton. The projects described in the pre-applications were rated favorably. A referendum in March 2013 regarding borrowing for the same is probable.

Cooperative Ventures and Community Events

The Town of Milton cooperates with community service organizations to meet operational goals at a lesser expense than would be realized through exclusive service by town staff. Downtown Beautification, for example, is provided by the Milton Garden Club. The town provided a \$2,000 donation to the club in 2012 for this purpose.

The Horseshoe Crab Festival (May) and Bargains on the Broadkill (August) are Chamber of Commerce events that bring thousands of visitors to the town. The town provided support to the Chamber of Commerce through public works. Both events were successful.

The Town of Milton Economic Development Committee worked cooperatively with the Downtown Business Association. And Mr. Fleetwood, a past Council member and community volunteer, secured sponsors and booked talent for another successful summer season of Concerts in the Park.

The Milton Fire Department sponsored the annual Christmas parade. Irish Eyes restaurant sponsored the St. Patrick’s Day parade. And Dogfish Head Brewery sponsors a 5K/10K Run/Walk for the benefit of the Nature Conservancy. Each of these events attracted several hundred to a couple thousand persons and were supported by the Milton Police Department. Lastly, the State of Delaware Office of Tourism selected Milton’s Governors Walk as a stop on the Delaware History Trail.

Capital Expenditures

Conwell, Cedar, Bennett, Clifton and B Streets were re-paved in the 2012 fiscal year. Residents on Conwell and Cedar Streets also received new laterals (service lines from the water mains). A divider was installed in the Public Works garage to increase the efficiency of heating the work area. A bathroom was installed, as well.

The Police Department acquired several pieces of surplus military equipment at very little expense. Some items have proven to be quite useful – such as a mobile “shop” for water system repairs.

The Milton Fire Department (not a town dept.) purchased a block of apartments on Front Street and razed the derelict structure. This greatly improved the appearance of this gateway into our town.

Town of Milton Annual Report, continued

Conclusion

The Town Council had a very productive legislative year. Several ordinances were adopted or amended. A restriction on truck traffic in town was put into effect. The updated Water Ordinance was codified. Several ordinances were amended for the purposes of clarification and enforcement. Finally, amendments to make the Municipal Code more consistent with the Charter and current conditions were made. This effort will continue into the 2013 fiscal year.

Much has been accomplished which has not been mentioned in this report. The report highlights accomplishments which exemplify significant developments. There are also on-going projects such as the resolution of signage and infrastructure issues in the unfinished development of Cannery Village.

The implicit purpose of the Annual Report is to gauge performance as it relates to stated goals and programs undertaken to accomplish these goals. This is directly tied to the budget process within the description of responsibilities for the Town Manager.

“Annually preparing a proposed budget and work program for the town” is the responsibility listed immediately before “Preparing an annual report of the previous year’s activities for presentation to the Mayor and Council and the citizens of Milton”. This is followed by: “Coordinating departmental activities and setting obtainable goals for all departments”. So, the responsibilities described for the Town Manager provide a roadmap for successfully managing the government.

The 2012 and 2013 fiscal year budgets lack the “program of work” component described by the Charter as a Town Manager responsibility. The narrative which accompanied the Town Manager’s 2013 Draft Budget provided a policy foundation on which programs would be developed. The Budget adopted by Council, however, was not connected to the Draft narrative.

Another effort to establish a program of work will follow. This will involve coordinating departmental activities and setting obtainable goals for all departments. It will also involve the development of a Capital Improvements Program that provides for regular contributions for reserve or “sinking” funds.

The support of Council is necessary for the proper execution of the Town Manager’s responsibilities as described in the Charter. If plans and programs are developed and implemented, success at every level is not guaranteed. The review of fiscal year 2013 activities in the next Annual Report, however, would be oriented toward performance that relates to these written program objectives. That would create the accountability envisioned by the writers of the Town of Milton Charter.

The Town of Milton made significant progress in the effort to improve government in the 2012 fiscal year. The importance of a turnaround from a multi-year deficit spending trend to living within its means cannot be over-emphasized. Continued attention to the management of both the financial and operational sides of the government in the coming year is essential. With such activity, Milton will continue to be attractive to home investors. This strong housing market will ensure the stable source of revenue needed for maintaining the current level government services and for future capital expenses.

Respectfully submitted,

Wilmer E. Abbott, IV MPA
Town Manager